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AGRICULTURAL TRADE HIGHLIGHTS

Export Rebound, Import Drop Lead to Largest August Surplus Since 1983

U.S. agricultural exports in August were stronger than expected following a large decline in July. Imports declined to a two-year low, helping to produce the largest trade surplus for August since 1983.

August trade data released by the Commerce Department on October 18 placed U.S. agricultural exports at $2.9 billion and 10.9 million metric tons, up $180 million and 1.4 million tons from July. Compared with August 1989, this month's exports also grew by $180 million.

August's performance brought the cumulative export total (October-August) for fiscal 1990 to $37.4 billion and 140 million tons—an increase of 2 percent in value and 3 percent in volume over the same 11 month period last year.

Increases occurred for several commodities such as corn (up 51 percent to $464 million), soybeans (up 37 percent to $181 million), fresh fruits and vegetables (up 62 percent to $163 million), soybean meal (up 56 percent to $61 million), and poultry meat (up 27 percent to $57 million).

As in recent months, wheat continued its decline in August, dropping 41 percent to $327 million. Other declines came from rice (down 21 percent to $46 million), tree nuts (down 22 percent to $45 million), and soybean oil (down 48 percent to $22 million).

The United States logged in export gains to its top four markets in August. Japan had the smallest gain, 4 percent, but remained the largest market at $634 million. The European Community (EC) market grew by 16 percent to become the second largest at $372 million, beating out Canada at $347 million. South Korea had one of the strongest increases, up 43 percent to $249 million, to take over the No. 4 position.

Other large markets experiencing change were Saudi Arabia, China, and the Soviet Union. Saudi Arabia, the nineth largest market in August, was up 47 percent to $54 million while exports to China and the Soviet Union continued to fall (down 45 and 83 percent, respectively).

Agricultural imports for August totaled $1.7 billion, down $80 million from July and $90 million from August 1989. For fiscal 1990-to-date, imports totaled $20.8 billion, up $890 million from last year.

The agricultural trade surplus for the month reached $1.2 billion. However, the year-to-date surplus of $16.6 billion is relatively unchanged from last year.

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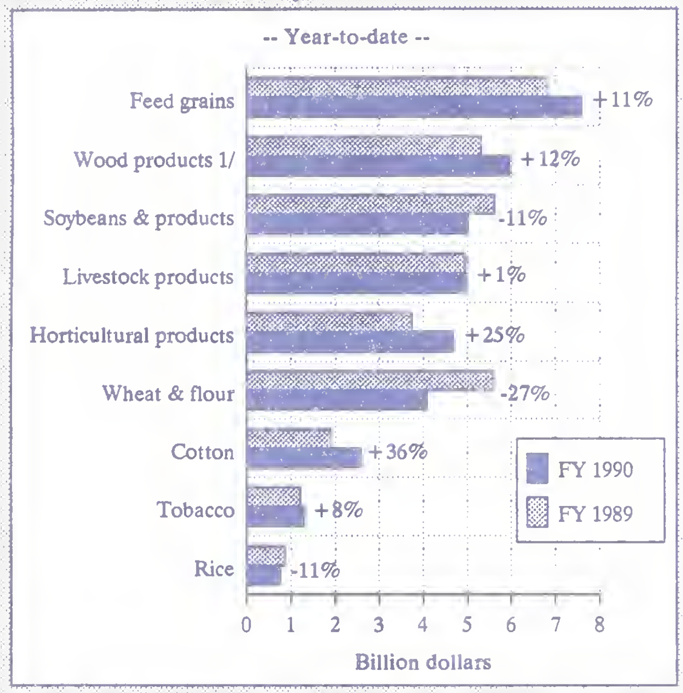
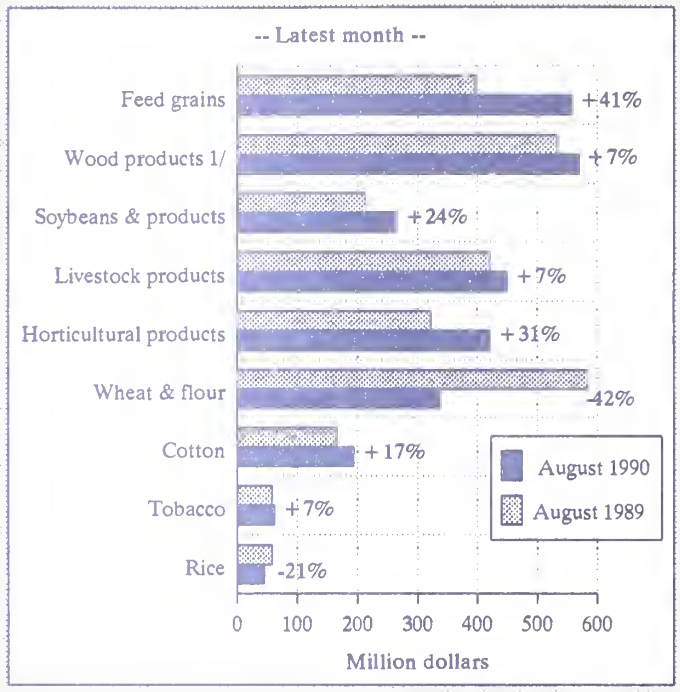
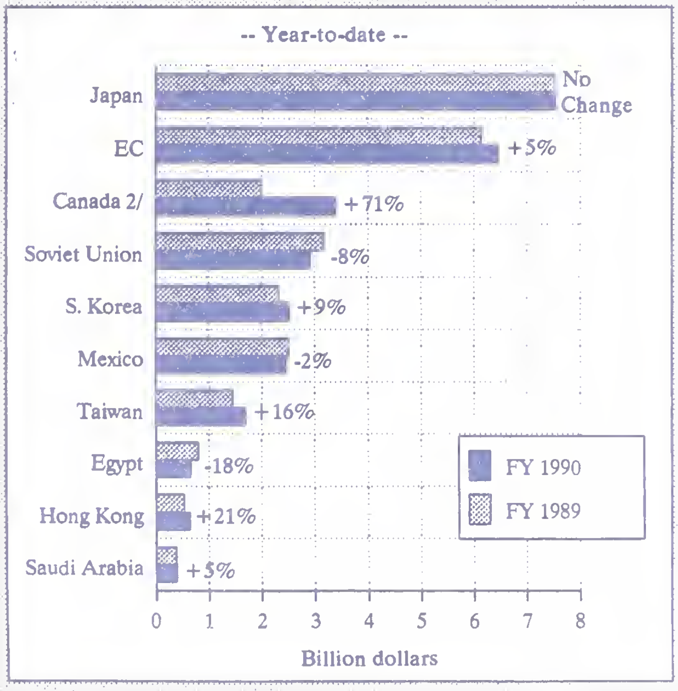
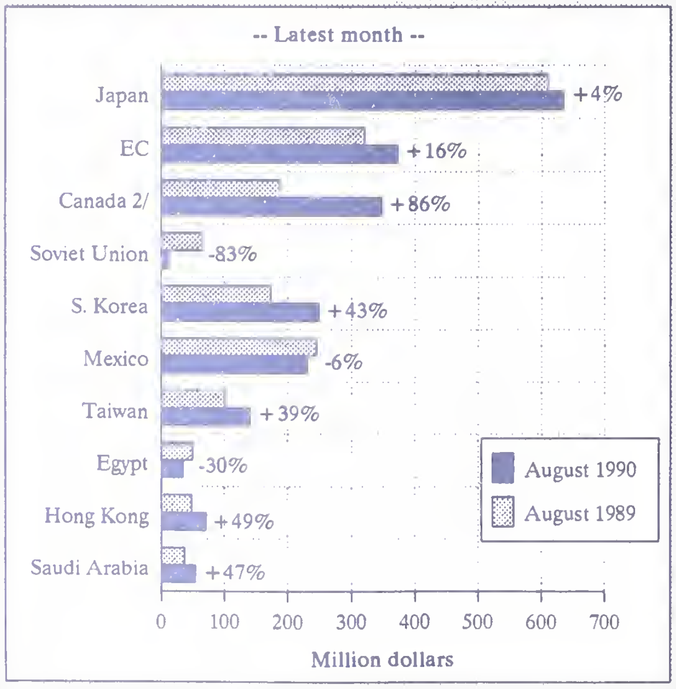




Top Ten Markets Summary





Note: Percentages are computed as the change from a year ago.

1/ Not included in agricultural totals. 2/ U.S. agricultural exports to Canada have been under-reported in past years by about $1 billion a year and officially recognized by both Governments. Effective January 1990, the U.S. Bureau of the Census began adjusting U.S. export statistics to account for these differences.

Commodity Highlights

U.S. agricultural exports in August totaled $2.94 billion, an unseasonally strong figure for what is traditionally one of the slower months of the year. In fact, this is the highest value on record for any August since 1980. Export value was up 7 percent from last year's level while export volume of 10.9 million tons was up 8 percent. These gains advanced fiscal year-to-date exports to $37.4 billion and 140 million tons.

Among major commodities, stronger corn and sorghum sales resulted in the 41-percent value and 35-percent volume gains from last August in *feed grain* exports. Total sales for the month reached $557 million and 4.7 million tons. After accounting for August's figures, fiscal year-to-date exports totaled $7.6 billion and 65.8 million tons, an increase of 11 percent in value and 17 percent in volume from last year. Shipments to Mexico, Taiwan, Korea, and the EC remain strong.

Wheat and flour exports experienced the largest declines in August from a year ago, plunging 42 percent in value to $337 million and 31 percent in volume to 2.5 million tons. Lower sales to China, Egypt, Iraq, and Algeria were largely responsible. Sluggish monthly figures continue to keep cumulative exports far below last year's levels. For October-August, wheat and flour sales reached only $4.1 billion and 26 million tons compared with $5.6 billion and 35 million tons for the same period of fiscal 1989.

With the exception of wheat and flour, *rice* was the only other major export item to show value and volume declines in August from year ago levels. Rice exports of $45.5 million and 141,000 tons fell $12 million and 37,000 tons from year-ago levels due to a slowing in sales to Mexico and a drop in shipments to the Middle East. Cumulative sales of $764 million and 2.3 million tons also continue to be well below fiscal 1989's figures.

In keeping with a recent trend, August's exports of *soybeans and products* posted notable gains from a year ago, rising $52 million to $264 million and 345,000 tons to 1.1 million tons. Increased shipments to Mexico, Taiwan, Venezuela, and Japan accounted for most of this month's advance. Although sales for the previous 2 months have also been strong, year-to-date value is still down from fiscal 1989, measuring $5.0 billion compared with $5.6 billion last year. Volume, however, at 21.4 million tons, is up 2.5 million tons from the 18.9 million tons of October-August 1989.

An increase in purchases from Hong Kong, China, and the EC contributed to August's *cotton* sales of $194 million and 121,000 tons. For the month, sales climbed 17-percent in value and 7-percent in volume from the year-ago levels. Cumulative cotton exports now total $2.6 billion and 1.6 million tons, 36 percent higher in value and 17 percent higher in volume than October-August 1989.

For yet another month, the value of *unmanufactured tobacco* exports surpassed its year-ago level with sales surging $4.1 million to $62.5 million. Volume for the month was off slightly, falling 1,000 tons from August 1989 to 9,700 tons. For the year, exports of 208,000 tons worth $1.3 billion are still above last year's figures. Advances were reported for all major markets, except Japan.

A boost in sales of beef and veal and hides and skins were mainly responsible for the 7 percent rise from last August in the value of *livestock product* exports. For the month, sales amounting to $450 million brought fiscal year-to-date exports to $5.0 billion. This is in line with last year's sales of $4.9 billion. Among the top markets, exports to Canada continue to show huge gains due in part to changes in data reporting methods.

Exports of *horticultural products* soared in August, thanks primarily to higher sales of fresh deciduous fruits, melons, fruit and vegetables juices, and fresh vegetables (excluding potatoes). Export value of $419 million posted a 31-percent gain from last year's level while export volume of 460,000 tons increased 6 percent.

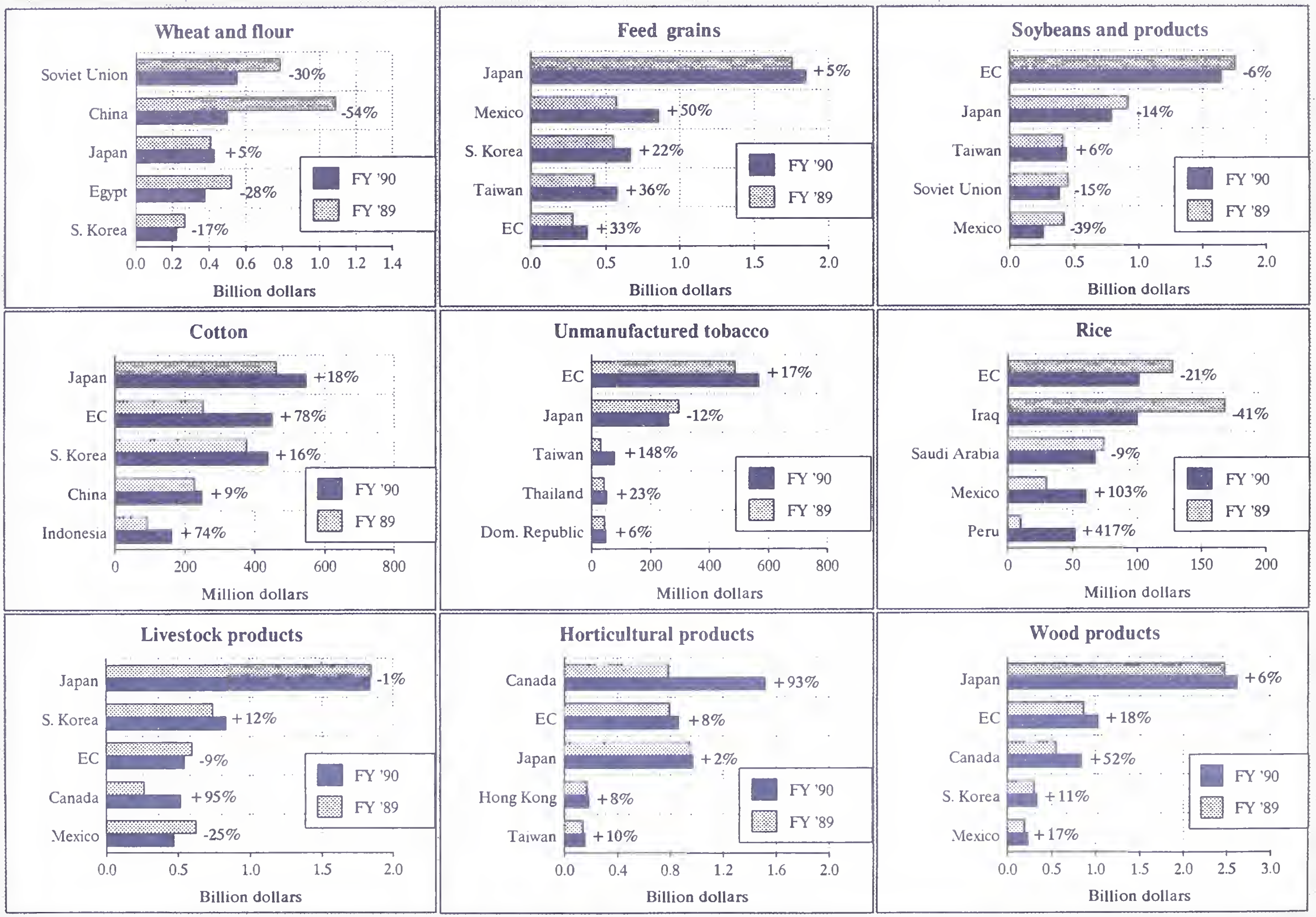
This year a new record will be set for horticultural product sales. The 11-month cumulative value of $4.7 billion has already topped last year's 12-month record of $4.2 billion. While shipments to all principal markets advanced, sales to Canada remained sharply higher as a result of statistical reporting changes.

Wood product sales were up $36 million from a year ago, reaching $566 million in August. Exports for the year are also up and, at $5.9 billion, have matched last year's record level. Despite increased sales to all major markets, exports to Canada once again show the largest gain.

For more information, contact Kathleen Anderson, (202) 382-9055.

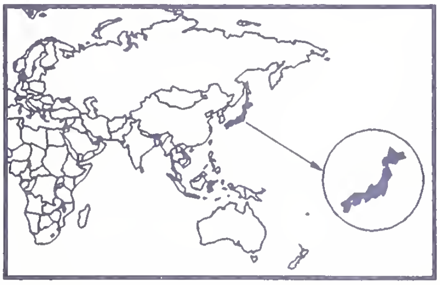
Top Five Markets for Major U.S. Commodities

October-August Comparisons



Note: Percentages are computed as the change from fiscal 1989 to fiscal 1990.

Country Spotlight: Japan



Recent FAS analysis indicates that the outlook for U.S. agricultural exports to Japan in the 1990's is bright. In fact, it is likely to be among the strongest export growth markets. This optimism is based on the expectation that Japan's economic growth, while slowing, is expected to be the strongest of all industrialized countries, fueling consumer demand. In addition, the recent liberalization of some agricultural imports, from the Uruguay Round, will further add to this favorable outlook.

Since 1964, when it emerged as Asia's first billion-dollar market for U.S. farm products, Japan has steadily expanded its agricultural imports. In 1988, Japan's imports of U.S. agricultural products exceeded those of the EC, making Japan the largest market for U.S. agricultural exports. Japan's imports from the United States rose 7 percent above 1988 levels to $8.2 billion in 1989, accounting for almost 21 percent of total U.S. agricultural exports to the world. In addition, U.S. forest product exports to Japan reached $2.8 billion in 1989.

Although bulk commodities such as corn, soybeans, wheat, cotton, tobacco, and logs dominated U.S. exports to Japan in 1989, greater market expansion opportunities exist for high-value items such as beef, vegetables, citrus fruits, fruit juices, and processed wood products including veneer, plywood, and particleboard.

As a result of the U.S.-Japan Beef Agreement in 1988, Japan's *beef* imports have grown significantly. Japan's beef imports from the United States, which totaled $556 million in 1987, increased 80 percent to $1.0 billion by 1989. Under the agreement, restrictions on Japan's beef imports are being phased out over two 3-year periods. During the first, quotas on beef imports were expanded by 60,000 tons annually from a base of 214,000 tons. They will be eliminated by April 1, 1991. In the second, the current 25-percent tariff will be raised to 70 percent, reduced to 60 percent in 1992, and 50 percent in 1993. An additional 25-percent tariff may be implemented if imports reach 120 percent of the previous year's level.

U.S. exports of *fresh, frozen, and prepared vegetables* to Japan, which totaled $253 million in 1989, also increased greatly in the past few years. In particular, frozen french fry exports doubled in the 7 years from 1983 to 1989, rising from $37 million to $79 million. Japan maintains a high (95 percent) self-sufficiency rate for vegetables, supported by a price stabilization system.

Japan's *citrus fruit and fruit juice* markets also offer good opportunities. Under the U.S.-Japan Citrus Agreement (signed on July 5, 1988) and the 1988 GATT-11 Agreement (signed on August 2, 1988), orange and orange juice import quotas will be eliminated on April 1, 1991 and April 1, 1992, respectively. The GATT-11 Agreement resolved a long-standing trade dispute on 11 categories of processed products. In 1989, the United States dominated Japan's citrus market with sales of $307 million.

Processed forest product exports to Japan have been hindered by high tariffs and rigid testing and certification procedures, standards, and building codes. In response to pressures from the United States and other trading partners, the Japanese government agreed to implement changes in 1986. In April 1987, tariff reductions on 14 wood products were implemented.

Further reductions in plywood tariffs were implemented in 1988 and will be made in the Uruguay Round negotiations. Also, Japan has revised its standards and certification system and tariff classification of laminate veneer products. After the conclusion of the talks with the United States on April 1, 1990, Japanese imports of processed wood products increased substantially.

For more information, contact Emiko Miyasaka, (202) 382-9054.

Protectionism and Japanese Rice:

Rice is one of Japan's most protected agricultural products. In order to maintain domestic prices at levels significantly higher than world prices, the Government of Japan (GOJ) essentially prohibits the import of rice. The GOJ's control over rice imports served as the basis for the unfair trade complaints (Section 301) submitted by the U.S. rice industry in 1986 and 1988. Although Japan's current rice program is clearly indefensible under the GATT, the United States Trade Representative rejected both of these petitions, believing that the Uruguay Round of multilateral trade negotiations is more likely to resolve the situation than a Section 301 case. While Japan made cuts in its support price for rice in JFY 1987, JFY 1988 and again in JFY 1990 – the first in 30 years – import controls remain in place.

Increased Imports of Meat and Juice Keep Competitive Imports Moving Toward Record Levels

U.S. agricultural imports in August totaled $1.7 billion, down 4 percent from July and 5 percent from last August. This was the third highest level on record for the month of August. With only 1 month left in fiscal 1990, cumulative imports (October-August) have grown to $20.8 billion, $890 million higher than the same period a year ago.

Competitive product imports have been strong all year and for August were $1.3 billion, up 2 percent from a year ago, but down 4 percent from July. Cumulative imports, totaling $15.6 billion, are up $1.5 billion from last year. They are certain to end the year at an all-time high.

Animal and animal product imports continued above last year's levels, up 12 percent from year ago. Through August, imports totaled $5.1 billion, up 12 percent from last year. Beef and veal imports are up 19 percent for the year in value and up 11 percent in volume. Higher imports from Australia accounted for nearly all of the increase.

Competitive imports are certain to end the year at an all-time high.

Pork import value in August continued strong at $88 million, up 38 percent from last year. So far, fiscal year pork imports of $813 million are up 13 percent from fiscal 1989, despite a 10-percent drop in import volume. Increased imports from the EC and Canada, up roughly 20 percent for the year in value and unchanged in volume, have accounted for the higher import values.

Imports of fruits and juices were up $30 million (31 percent) from last August, with 95 percent of the increase due to higher juice imports. Orange juice imports were up $22 million. Imports of fruit juices from Brazil, the largest supplier, were up $18 million while imports from Chile were up $3 million from last August.

Imports of beet and cane sugar for the fiscal year are up 10 percent in value ($60 million), but volume is down 7 percent. For the month, imports were down $50 million (53 percent) from August 1989. Imports for the year from major suppliers are mixed. Major dollar value increases occurred for Guatemala (up 220 percent), Colombia (up 75 percent), Brazil (up 60 percent), and the Philippines (up 15 percent). Declines were shown for Australia (down 60 percent) and the Dominican Republic (down 15 percent).

Noncompetitive product imports for August totaled $422 million, down 6 percent from July and 22 percent from last August. Noncompetitive imports for the year total $5.2 billion, down $590 million from the same period last year. Year-to-date imports of coffee, rubber, and spices are down $776 million (22 percent) from last year's levels. These declines more than offset increased imports of cocoa and products (up $69 million), bananas (up $66 million), and teas (up $19 million). At $96 million, cocoa product imports reached their highest level since September 1987.

For more information, contact James Johnson, (202) 382-9522.

U.S. Agricultural Imports by Major Product Sector
August 1990 Versus Month-ago and Year-ago

Import Category	August 1990	Month Ago	Year Ago	% Change From July'90	% Change From Aug.90
	— Million $ —				
Total competitive	1,303	1,354	1,279	-4	2
Fruits, incl. juices	126	176	96	-28	31
Wines & beer	175	160	168	5	3
Vegetables	119	123	131	-3	-9
Beef & veal	162	153	141	6	15
Dairy/poultry	93	109	87	-15	7
Pork	88	94	64	-6	38
Total noncompetitive	422	448	539	-6	-22
Coffee & products	128	150	235	-15	-46
Cocoa & products	96	89	90	8	8
Bananas/plantains	78	76	70	3	11
Rubber/allied gums	53	50	67	6	-21
Spices	18	22	25	-18	-28
Tea	11	12	11	-8	0
Total agri. imports	1,726	1,802	1818	-4	-5

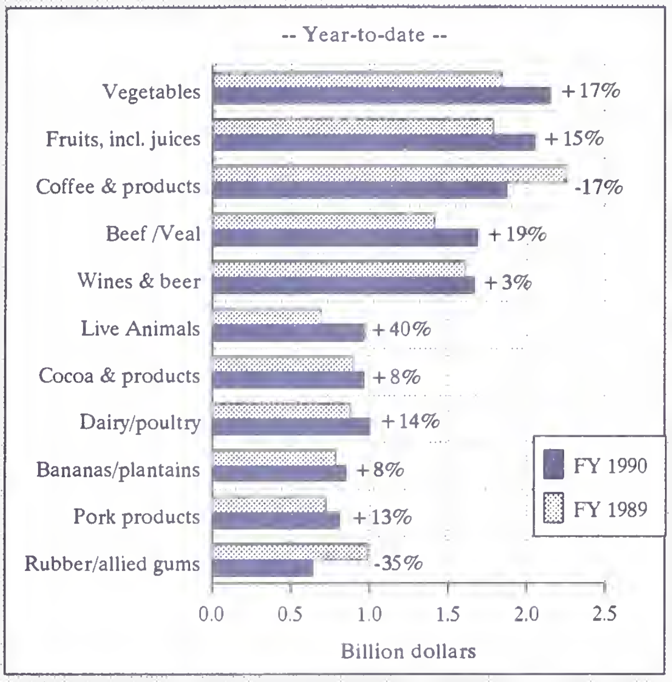
Source: Commodity Trade Analysis Branch, Economic Research Service, U.S. Department of Agriculture, Washington, D.C.

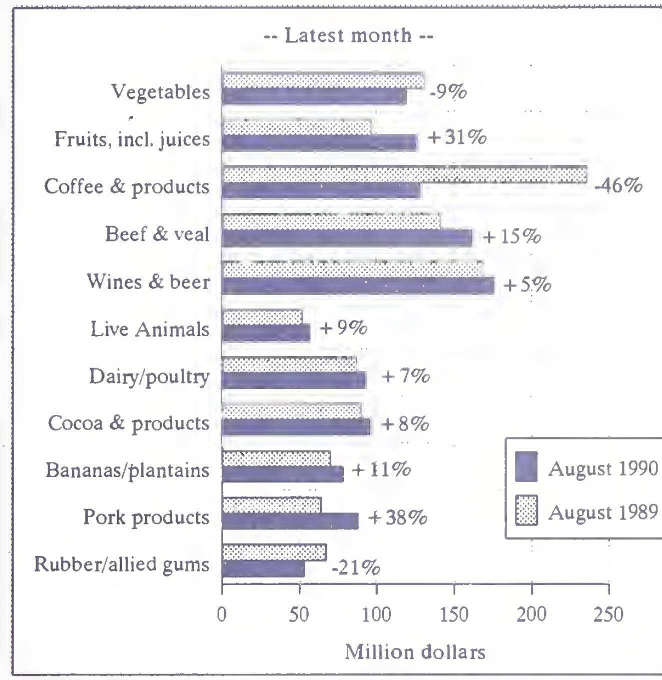
Noncompetitive imports do not compete with U.S. production and include: bananas/plantains, coffee (incl. processed), cocoa (incl. processed), rubber/allied gums, spices, essential oils, tea, and carpet wools.

U.S. Agricultural Import Summaries

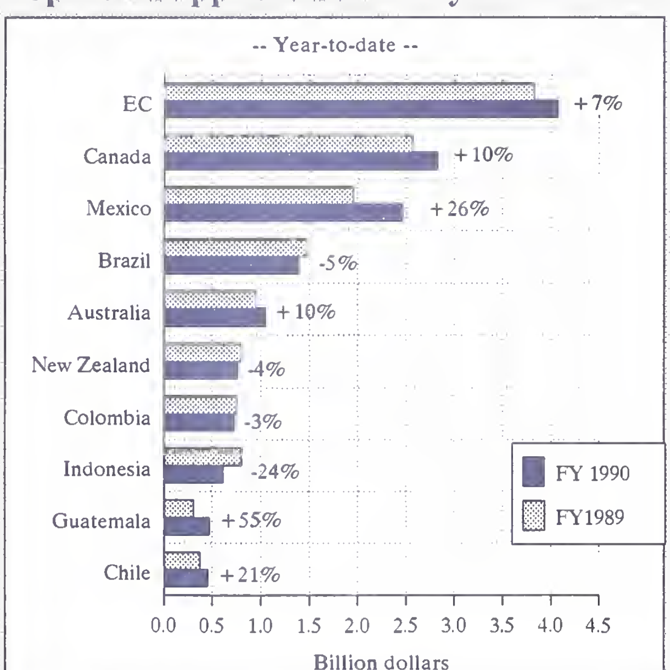
October-August and Latest Month Comparisons

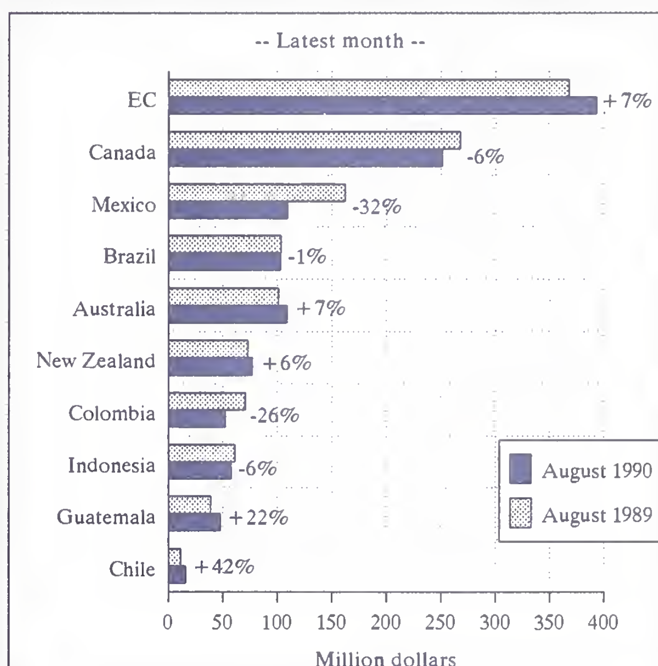
Product Summary





Top Ten Suppliers Summary





Note: Percentages are computed as the change from a year ago.

World Macroeconomic Outlook

The global economy is expected to grow at a slower rate in 1990, following a number of years of more rapid expansion. The slowdown reflects lower economic growth rates for the industrial and developing countries and an economic contraction in Eastern Europe and the USSR.

According to preliminary projections by the International Monetary Fund (IMF), world economic growth is expected to slow to about 2 percent in 1990, the lowest rate since 1982. It is expected to rise slightly in 1991. The world outlook for the remainder of 1990 and for 1991 remains heavily dependent on future developments in the ongoing Persian Gulf crisis.

The Gulf crisis has shaken world equity markets and caused a sharp rise in world crude oil prices. Following Iraq's invasion of neighboring Kuwait, oil prices doubled, rising from $18 per barrel before the crisis to more than $40. More recently, oil prices have fallen to around $30 per barrel. The future direction of oil prices depends critically on developments in the Middle East.

If sustained, the direct effect of the Gulf crisis—sharply higher world oil prices—will strike hard at many countries. The Gulf crisis will slow growth in the industrialized countries, pushing the U.S. economy closer to a possible recession and trimming economic growth in the more buoyant economies of Japan and Western Europe. The hardest hit countries will be large oil-importing developing countries that were facing economic difficulties before the steep rise in oil prices.

Who stands to gain from the crisis? Clearly, large net oil exporting countries will benefit from higher oil prices. However, many countries that directly benefit from higher oil prices will suffer the more indirect effects that are likely to result from the crisis: a further slowing in the growth of the world economy and world trade, and upward pressures on prices and world interest rates.

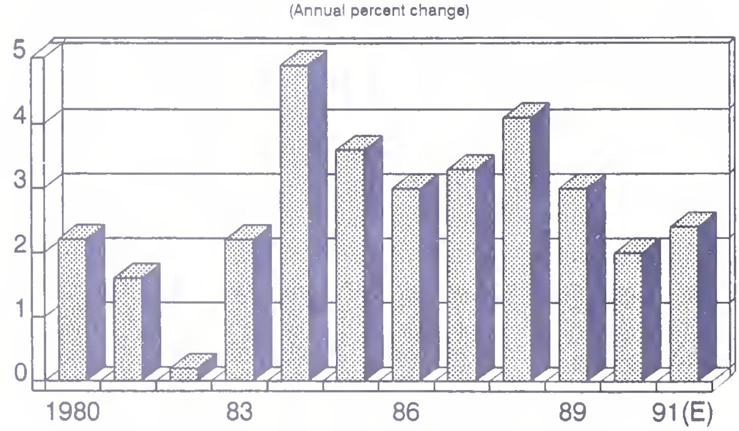
In addition to higher oil prices, many countries will suffer from the ancillary effects of the Gulf crisis. For example, the present United Nations (U.N.) economic sanctions against Iraq will negatively impact the economies of a number of countries which relied on trade with Iraq and/or Kuwait. Also, countries which had major overseas work forces in Iraq and Kuwait will experience reduced worker remittances. Countries in the Middle East and South Asia will be the most affected by the trade restrictions and the cut-off in worker remittances.

Although the Middle East situation and developments in the petroleum sector are important determinants in the world economic situation and outlook, other major factors influencing world growth are:

- Outcome of the GATT negotiations;
- Integration of the European Community;
- Prospects for fundamental economic reforms in the USSR and Eastern Europe;
- Consequences of German unification;
- Continued use of restrictive monetary policies to stem inflation in major industrialized countries; and
- Large external debt problems in many developing countries, especially those in Latin America.

World Economic Growth Slows

(Annual percent change)



Industrialized Countries

Real economic growth in the industrialized countries is expected to slow to about 2.6 percent in 1990 and slow slightly to 2.4 percent in 1991. The industrialized economies grew at more robust rates of 3.4 percent in 1989 and 4.4 percent in 1988.

Sharply higher oil prices will negatively impact industrialized countries which are large oil consumers and are heavily dependent on oil imports. Higher oil prices will drive up the oil import bill for the industrialized world, slow economic activity and put upward pressure on prices and interest rates. In the United States, higher oil prices will substantially boost the oil import bill and further weaken the economy. Rising fuel costs will filter through the U.S.

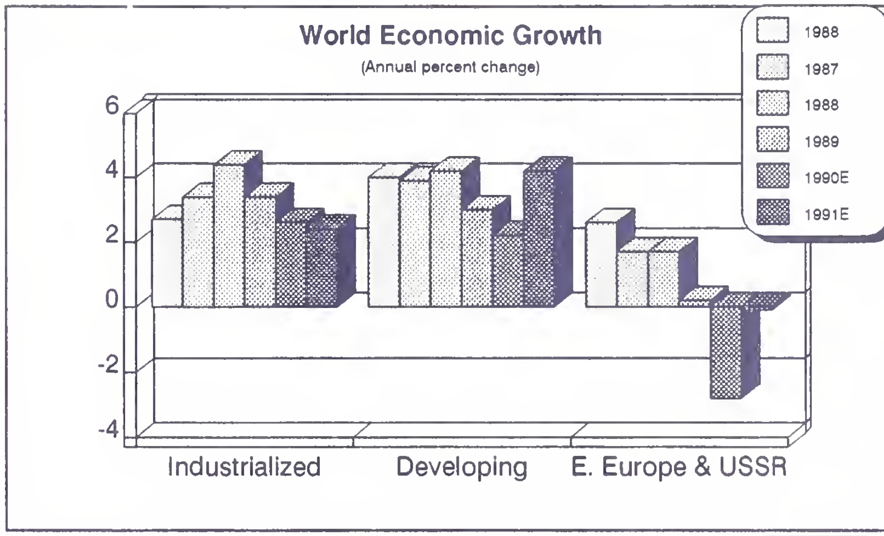
economy adding to already worrisome price inflation and keep upward pressure on interest rates. The more buoyant economies of Japan and Western Europe will find it easier to adjust to higher oil prices, despite their larger relative dependence on oil imports.

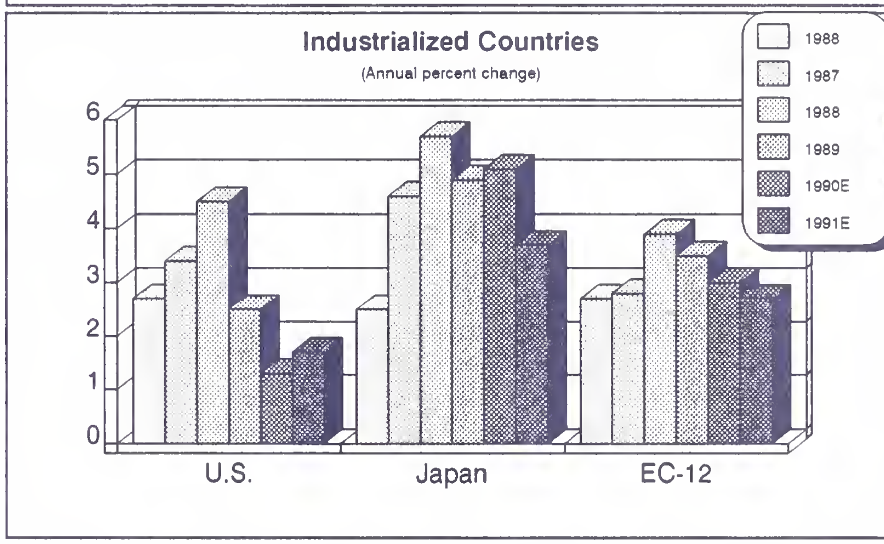
Economic growth in Japan is expected to remain relatively high, despite the obvious negative impacts of rising oil prices and the recent turbulence in the domestic equity markets. Higher oil prices will add further upward pressure on already rising inflation and interest rates. Increasing monetary tightness, which causes a currency to appreciate against other currencies, making imports denominated in other currencies—including oil—less expensive, will help partially counterbalance the impact of higher oil prices.

The economic outlook for Western Europe is relatively bright, particularly given major developments sweeping the continent—movement toward EC economic integration, German unification, and the momentous changes occurring in Eastern Europe and the USSR. The process of economic integration is expected to boost investment and sustain high rates of output growth in the EC. Although there will be short-term disruptions, in the longer run Western Europe is expected to reap economic and political benefits from the ongoing economic and political liberalization in Eastern Europe and the USSR. Also, economic prospects for Germany will ultimately be enhanced by reunification.

Developing Countries

Real economic growth in developing countries is expected to decline from the 3-percent registered in 1989 to about 2.2 percent in 1990. This slowdown reflects unfavorable external





conditions, slowing growth in world trade, high international interest rates, and declining prices for non-oil primary commodities. The IMF projects that higher world oil prices ($25/barrel) would have a small, net positive impact on economic growth in the developing countries. This conclusion reflects the fact that a number of countries in this group are substantial net exporters of oil.

For Mexico, Indonesia, Venezuela, Nigeria, and other net oil exporting countries that are also large debtors, higher oil prices will help partially ease strained financial situations. However, the ongoing crisis will keep upward pressure on interest rates and will likely not allow any significant drop in debt servicing requirements.

Oil importers, particularly countries with large external debts, will be particularly hard hit by the combined effects of higher oil prices and the prospects for continued high world interest rates. Growth prospects are especially poor for many heavily indebted developing countries in Africa, the Western Hemisphere, and Asia.

Aggregate economic growth for developing countries is expected to rebound to a more robust 4.2 percent

rate in 1991. However, this optimistic economic outlook will depend greatly on future world developments, particularly events in the Persian Gulf.

The economic outook for the Asian NIC's and most of the ASEAN countries remains relatively favorable, although growth is expected to slow from the rapid pace of the last few years. Indonesia, Malaysia, and Brunei, which are oil producers and exporters, will directly benefit from higher oil prices. The economies in this region, which are heavily dependent on trade, will suffer greatly from any significant downturn in world trade or any substantial drop in economic activity in their major export markets in the United States and Western Europe.

Most major oil exporting nations enjoyed higher prices for their oil in 1989 and will receive still higher prices in 1990. Many OPEC countries will see sharp increases in their oil revenues, the combined effect of higher oil prices and in some cases increased export volume. The notable exceptions are countries directly involved in the current crisis—Iraq, Kuwait, and possibly Saudi Arabia. Other large non-OPEC oil exporters, such as Mexico, also will reap the windfall of higher oil prices.

Centrally Planned Economies

The short-term economic prospects for Eastern Europe and the USSR are not bright. According to figures from the IMF, the USSR and the economies of Eastern Europe are expected to contract by nearly 3 percent in 1990 and economic growth is expected to remain negative in 1991.

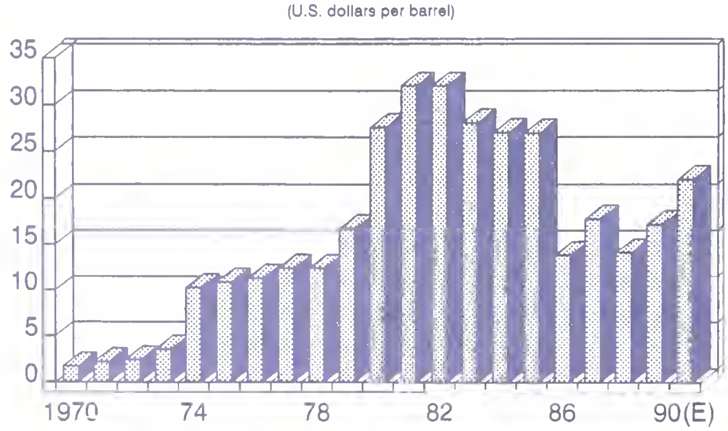
Economic output in Eastern Europe is expected to decline in 1990 and remain stagnant through 1991 due in large part to the short-run impacts of stabilization measures and current economic reforms. Eastern Europe is saddled with heavy debt loads. Increasing expenditures for oil imports will make it more difficult to balance external accounts and meet debt servicing requirements. Higher oil prices and the phaseout of subsidized, low-cost oil from the USSR will cause a further deterioration in the short-term economic prospects for the region.

Short-term economic prospects for the USSR are poor. As in Eastern Europe, current economic reforms and a movement toward a more market oriented economy will cause major disruptions in the Soviet economy. The USSR, the world's largest oil producer and major exporter, will benefit from higher oil prices and the phasing-out of below-market priced "sales" of oil to Eastern Europe and elsewhere.

Economic prospects for the USSR and many countries in Eastern Europe would be enhanced by a favorable decision on their requests for membership in the IMF and the World Bank.

Rising World Oil Prices

(U.S. dollars per barrel)



Happenings in the Oil Market

The world economic outlook remains dependent on developments in the Gulf situation and on world oil prices. Oil prices rose sharply in 1989 and remained volatile in the first half of 1990. In a July 1990 OPEC meeting, the official crude oil reference price was raised to $21 a barrel after remaining at $18 per barrel since February 1987. Following the invasion of Kuwait, spot oil prices soared to about $40 per barrel before falling to around $30. Immediately prior to the outbreak of hostilities, oil was trading at about $18 a barrel. Although, these are major price increases they are relatively less than the oil price "shocks" of 1973-74 and 1978-80 when oil prices quadrupled and trebled, respectively.

The oil price outlook for the remainder of 1990 and for 1991 will also depend oil production by OPEC and non-OPEC members. Immediately before the crisis, world oil inventories were abundant and the growth of world oil consumption was expected to moderate due to a slowdown in the world economy. Higher oil prices should stimulate world oil production. A majority of OPEC members agreed on August 29 to suspend production ceilings. Prior to

the Iraqi invasion of Kuwait, OPEC members had an idle capacity of 4 million barrels a day, roughly equivalent to the combined pre-crisis export level of Iraq and Kuwait. Additionally, governments of major industrial countries hold strategic petroleum reserves totaling about 1 billion barrels.

Higher oil prices will add significantly to the import bill of most industrialized countries. In 1989, for example, net oil imports for the industrialized (OECD) countries totaled 7.35 billion barrels. At this same yearly import volume, a one dollar increase in oil prices represents an additional $7.35 billion on OECD's annual U.S. dollar-denominated oil import bill. At the pre-crisis level of $18 a barrel, this annual oil import volume would cost the OECD countries about $132 billion. At $40 a barrel, the import bill for OECD countries would soar to nearly $300 billion.

Annual oil import data for the major OECD countries is presented in the table below. Note that the United Kingdom and Canada are net oil exporters.

Implications for U.S. Exports

Mapping the impact of sustained higher oil prices on U.S. agricultural exports is complicated by a myriad of economic and financial effects. According to recent IMF estimates, higher oil prices are expected to slow global economic growth and the growth of world trade. If so, one would expect U.S. agricultural exports to suffer.

However, during the oil shocks of the 1970s, higher oil prices were accompanied by higher U.S. farm exports as vast amounts of petrodollars were recycled through the world economy via increased OPEC deposits in Western banks.

A recent analysis by economists of USDA's Economic Research Service (ERS) suggests this could happen again. Larger cash deposits in large commerical banks would put downward pressure on interest rates which, if combined with higher inflation, could result in negative real interest rates, thereby spurring increased commodity purchases by our overseas customers. If this scenario comes to pass, the ERS analysis indicates the cumulative rise in U.S. agricultural exports could reach $3 billion over the next 3 years.

While these two scenarios suggest very different outcomes for U.S. exports, the impact of higher oil prices will depend on the response of oil exporters to increased oil receipts and the response of the world's central banks to the prospects for higher global inflation and interest rates.

Higher oil prices and the resulting upward pressure on world price and interest rates will hit debtor countries that are net importers of oil and major markets for agricultural products hard. Counterbalancing this, large net oil exporters will receive sharply higher revenues for their oil exports and should present better export prospects for U.S. agricultural products.

The relatively fast growing economies of East and Southeast Asia will likely continue to offer the best prospects for U.S. agricultural exports. Bouyant economic growth prospects in Western Europe would suggest increased export opportunities, but EC integration could reduce U.S. chances to share in this growth. Over the short-term, economic upheavel in Eastern Europe and the USSR and strained financial conditions could limit commercial agricultural sales opportunties to these markets.

Of course, U.N. economic sanctions will result in the loss of the large agricultural market in Iraq and Kuwait. In 1989, the U.S. exported $726 million in agricultural products to Iraq and $59 million to Kuwait. Iraq was a large market for U.S. rice, feeds, dairy products, poultry, cotton, and wheat and wheat products.

For more information, contact Andrew Burst, (202) 382-1299

OIL IMPORT STATISTICS

	Net Oil Imports in 1989	Oil Import Bills at $18/Bbl	Oil Import Bills at $40/Bbl
	Billion/Bbl	Billion $	
EC-12	2.95	53.1	118.0
W. Germany	0.77	13.9	30.8
Italy	0.63	11.3	25.1
France	0.62	11.2	25.0
Spain	0.35	6.3	13.9
Netherlands	0.23	4.1	9.3
UK	-0.07	-1.3	-2.8
U.S.	2.63	47.3	105.2
Japan	1.84	33.1	73.5
Canada	-0.13	-2.3	-5.2
TOTAL OECD	7.35	132.3	294.1

Source: U.S. Department of Energy

Trade Policy Updates

Update on Uruguay Round

Participants in the Uruguay Round Negotiations on Agriculture, under the General Agreement on Tariffs and Trade (GATT), spent the first 2 weeks in October submitting "country lists" which detail the specifics of their agricultural policies. These lists will provide a database from which to negotiate an agreement on how to reduce trade-distorting support and protection in agriculture.

Final proposals from the United States and from the Cairns Group (a negotiating bloc including Australia, New Zealand, and 11 other countries) were closely modeled on a framework document prepared by Aart de Zeeuw, Chairman of the Agriculture Negotiating Group. This document outlined an approach for significant reform in the areas of internal subsidies, export subsidies, and import protection. Other proposals, such as Japan's, were not modeled significantly on the de Zeeuw text.

An entire agreement on new GATT rules and disciplines to govern agricultural trade based on the submitted proposals will be completed at a ministerial level meeting in Brussels, beginning December 3.

Japan Notifies GATT of Intent To Certify New Food Additives

On October 3, the Government of Japan (GOJ) notified the GATT of its intention to add seven new food additives to its list of approved additives for use in Japan. One additive nominated by the United States, red dye #40 (allura red), is included in the list.

The GATT notification represents a major step on the part of the GOJ and now indicates its firm commitment to formally approve these additives for use by early 1991. Japan's restrictions on food additives have held exports of U.S. processed foods below potential levels. Of 37 food additives proposed by the U.S. Food and Drug Administration (FDA) in 1985, only two have so far been approved. The United States has complained to the GOJ about the lack of transparency in their additive approval process, and a proposal by the GOJ for a bilateral meeting on the subject is being considered by U.S. agencies.

Japan Protests U.S. Log Export Ban

GOJ officials, at the U.S.-Japan Trade Committee Meeting in Washington, October 2-3, expressed dissatisfaction with the tightening of U.S. log export restrictions. In line with earlier expressions of concern, the GOJ alleged that the log export restrictions are GATT inconsistent. Japan has asked for access to logs on an equal basis with U.S. industry.

As a result of the ban, 500 to 600 million board feet of lumber will no longer be available for export, but Japan will continue to have access to 30 billion board feet of lumber in 1990. The GOJ estimated that for 1990 its access to log imports will be restricted to 15 to 20 percent of 1989 levels; U.S. estimates put that figure at 11 to 13 percent, but in fact the short-term impact should not affect shipments until late 1991 due to existing stockpiles and forward contracts.

Chile Signs Framework Agreement with the United States

On October 1, Chile became the fourth Latin American country, joining Bolivia, Colombia and Ecuador, to sign a bilateral Trade and Investment Framework Agreement with the United States. The mechanism of framework agreements was a key element of the President's Enterprise for the Americas Initiative. The purpose of these agreements is to establish a Trade and Investment Council (TIC) to serve as a forum for establishing principles and means for achieving cooperation on trade and investment issues.

...Trade Policy Updates

The President Formally Notifies Congress of FTA Negotiations With Mexico

On September 27, President Bush formally notified the House Committee on Ways and Means and the Senate Finance Committee of free trade negotiations with Mexico. The letters of notification expressed the President's expectation that any such agreement will build on U.S. multilateral negotiating efforts in the Uruguay Round.

Canada Announces Intent To Participate in Trade Talks With U.S. and Mexico

Canada's Trade Minister announced on September 24 that Canada has decided to participate in discussions with Mexico and the United States to establish the basis for subsequent negotiations on a free trade arrangement among Canada, the United States, and Mexico. According to the announcement, Prime Minister Mulroney has written letters to President Salinas and President Bush stating Canada's interest in participating in negotiations on a North America Free Trade Agreement. Mexico is now Canada's largest trading partner in Latin America.

China GATT Accession Meeting Concludes With No Date for Next Meeting

The 10th meeting of the GATT Contracting Parties regarding China's request to join the GATT was held on September 20-21 in Geneva. No substantive progress was made, and there was no mention of starting work on a protocol. China presented an update of market reform measures taken since the last working party meeting in December 1989.

Agreement Reached with Canada on Broiler Hatching Eggs and Chick Quotas

After 10 months of negotiating, the United States has reached agreement with Canada regarding access levels for broiler hatching eggs and chicks. The combined access level for both chicks and eggs for any one year has been set at 21.1 percent of the estimated Canadian domestic production of broiler hatching eggs for that year.

The accord provides for separate and distinct access levels for hatching eggs and chicks, a particularly significant concession to the U.S. industry given the lateness of the agreement in the current year. The accord does not prejudice the U.S. right to challenge the quotas as inconsistent with GATT rules if Canada has not eliminated them by the end of the Uruguay Round.

Venezuela Announces a New Tariff Schedule for Agricultural Commodities

The Government of Venezuela recently announced its decision to relax trade barriers for a variety of agricultural goods. The reforms, which went into effect on August 1, remove the import permit requirements for protein meals, but retain them for soybeans, sunflowerseed, and cottonseed for crushing and for their oils.

The import tariff for soybean meal was reduced from 15 to 10 percent while the tariff for soybeans remains the same at 10 percent. The ad valorem import tax on crude soybean oil, however, was raised to 20 percent, on a par with refined oil. The net effect of these measures should be to improve prospects for Venezuelan imports of soybeans and soybean meal. Virtually all of Venezuela's soybean imports normally come from the United States, while about 90-95 percent of the soybean meal is of U.S. origin.

Pending Marketing Order Legislation Challenged in GATT Council

At the October 3 meeting of the GATT Council, representatives from Argentina, Peru, Mexico, Uruguay, Australia, and New Zealand joined Chile in condemning legislation pending in the U.S. Congress which would extend marketing orders to kiwifruit, nectarines, plums, papayas, pistachios, and apples. Chile has persistently charged that marketing orders are a discriminatory trade barrier. The U.S. delegation protested that it is inappropriate to challenge in the GATT Council a measure that has been proposed, especially one that has never been the subject of the GATT dispute settlement process.

For more information, contact the Trade Assistance and Planning Office, (703) 756-6001.

Market Updates

Peru To Buy Rice

Peru could be a major market for U.S. rice for the second consecutive year due to another drought-impacted crop and rising consumption. Since stocks are expected to be critically low by November, Peru has called for imports of 100,000 tons toward purchases expected to reach 250,000-350,000 tons by March. Last year Peru bought half of its 350,000 tons from the United States, but U.S. market share could be even greater this year. A recent softening of U.S. prices combined with an increase in Thai quotes and a quiet Vietnamese market should make landed U.S. prices very competitive.

Yugoslavia Needs To Import Corn

Yugoslav corn imports could be in the 2-2.5 million ton range compared with current estimates of 500,000 tons, given reports that the crop could be the smallest in 25 years. However, expanded wheat feeding from a larger harvest could partially mitigate some need for imported corn. An indication of the severity of the problem is the fact that the embassy has already had inquiries about the availability of GSM-102 credits for corn.

EC Raises Production Subsidy for Casein

On September 29, the European Economic Community increased the casein production subsidy. The subsidy was raised from 6.64 ECU ($8.87) per 100 kilograms of liquid skim milk to 7.94 ECU ($10.61) per 100 kilograms, a 20-percent increase. EC analysts believe the amount of the increase will have a significant effect in improving the competitive position of EC casein in the world market, but the New Zealand Dairy Board (NZDB) claims that it will only force down prices without expanding use. (The NZDB claim may be accurate for the very short term.) The Dairy Management Committee of the EC has also increased the aid for using skim milk powder in animal feed from 59.90 ECU ($80.02) per 100 kilograms to 70.00 ECU ($93.51) per 100 kilograms.

New EC Legislation Calls for Spot Checks on Export Refunds

Based on the findings of a report issued by the Commission's Court of Auditors last May, describing the export refund system as a high-risk area for fraud, two new regulations were added outlining procedures for stricter verification of exports. The risks described in the Court's report involved the payment of refunds at an excessive rate for the product involved, or the payment of refunds on goods that are never exported. These regulations require random spot checks on at least 5 percent of all shipments over 5 tons to third countries for which refunds are being claimed. These new regulations apply to all agricultural commodities using export refunds.

Effort To Override Veto of Restrictive Textile Import Bill Fails

The U.S. House of Representatives failed to muster the required two-thirds majority vote needed to override President Bush's veto of a recent bill designed to further restrict the import of textile products into the United States. The proposed quota would have placed a 1-percent annual cap on the growth of textile imports, allowing for growth in U.S. textile demand. While pro-quota advocates point to the need to protect the domestic textile industry and jobs, the Administration countered by arguing that additional restrictions run counter to current U.S. efforts to reduce worldwide trade barriers. Lawmakers speaking out against the bill claimed that the legislation could cost U.S. consumers $5 billion in increased clothing costs over the next 5 years and could invite retaliation from major markets for U.S. cotton.

Romania Buying EC Wheat

Romania has reportedly been offered credit by COFACE (France's export credit agency) to cover the purchase of 50,000-100,000 tons of French wheat, which will probably be used for feed purposes. Major structural and market changes are creating feedgrain shortages for the large industrial animal units as private crops are retained on farms. Romania is normally a small wheat exporter, and despite successively smaller harvests, has not imported wheat in 6 years.

India Resumes Exports of Wheat and Rice

According to trade sources in New Delhi, the Government of India sold 100,000 tons of wheat to Jordan in a barter arrangement for November-March shipment. This is India's biggest sale in 3 years. India has re-entered the export market after a 2-year absence. In 1988/89, India imported nearly 2 million tons of wheat.

Turkey Increases Cigarette Prices

Turkey recently increased cigarette prices. The price of TEKEL's (the Turkish state monopoly) products rose between 14 and 25 percent. However, the price of the least expensive cigarette was unchanged at $0.11 per pack. TEKEL's new oriental cigarette, Izmir, maintained its price of $0.74 per pack. The popular American blend cigarette, TEKEL 2000, jumped to $1.18 per pack. Imported cigarettes rose almost 22 percent to $1.66 per pack. The price increase may weaken the demand for U.S. imported cigarettes because smokers can trade down to a domestic American blend cigarette, such as TEKEL 2000. Additional sales of TEKEL 2000 would increase the demand for U.S. leaf tobacco. The United States sold Turkey over $17 million of unmanufactured tobacco, and close to $200 million of cigarettes last year.

Fiscal 1991 GSM-102 Credit Guarantee Programs Are Underway

With the onset of fiscal 1991, USDA announced several GSM-102 Credit Guarantee Programs. On September 20, Ecuador received $100 million in GSM-102 coverage, primarily for wheat, cotton, tallow and/or greases, and vegetable oils. A GSM-102 program for Colombia was announced on September 24 for $60 million, mainly for wheat and tallow and/or greases. On the same day, a $200-million GSM-102 program covering feed grains, pulses, wheat, oilseeds, protein meals, vegetable oils, seed potatoes, and planting seeds was announced for Venezuela. Of this amount, $100 million is operational. On September 25, Chile received $50 million in GSM-102 coverage for wheat and/or wheat flour and feed grains. Also on September 25, a GSM-102 program for El Salvador was announced for $25 million, primarily for protein meals, tallow and/or greases, and vegetable oils.

In October, USDA announced a $20-million GSM-102 program for Hungary providing $8 million for rice, $5 million for vegetable protein meals, $3 million for cotton, $2 million for breeder livestock, and $2 million for leather. A GSM-102 program totaling $40 million for Yugoslavia was announced. This program covers cotton, oilseeds, protein meals, wheat, hides and skins, solid wood products, and pulses. USDA announced a $25-million GSM-102 program for Guatemala that covers sales of wheat and/or wheat flour, feed grains, rice, tallow and/or greases, vegetable oils, protein meals, pulses, and poultry breeder stock. Morocco's GSM-102 and GSM-103 Credit Guarantee Programs were also announced. GSM-102 coverage totals $32 million, with $10 million for wheat, $8 million for rice, and $14 million to be assigned to private sector commodities at a later date. Morocco's GSM-103 program totals $98 million with $58 million available for wheat (plus an additional $25 million to be made operational at a later date) and $15 million for feed grains.

Sierra Leone Increases And Extends Fiscal 1990 P.L. 480, Title I Agreement

Sierra Leone signed a $5-million amendment to its fiscal 1990 P.L. 480, Title I agreement. This amendment extends the agreement through fiscal 1991, and provides an additional $2 million worth of U.S. wheat and $3 million worth of U.S. rice. The cumulative program for fiscal 1990 and 1991 provides $3 million of wheat and $6 million of rice.

For more information, contact Ron Croushorn, (202) 382-9148.

U.S. Agricultural Exports by Major Commodity Group

Monthly and Year-to-date Performance Indicators, and Fiscal 1990 Forecasts

	August 1989	August 1990		October–August 1988/89	October–August 1989/90		Fiscal Year 1989	Fiscal Year 1990 (f) 1/	
	--Bil.$--		Change	--Bil.$--		Change	--Bil.$--		Change
Grains & feeds 2/	1.259	1.203	-4%	15.672	15.034	-4%	17.092	16.0	-6%
Wheat	0.558	0.327	-41%	5.370	3.884	-28%	6.023	4.4	-27%
Wheat flour	0.026	0.010	-62%	0.213	0.190	-11%	0.255	0.2	-22%
Rice	0.058	0.046	-21%	0.864	0.764	-12%	0.956	0.8	-16%
Feed grains 3/	0.396	0.557	41%	6.819	7.588	11%	7.249	8.0	10%
Corn	0.308	0.465	51%	5.797	6.614	14%	6.107	7.0	15%
Feeds & fodders	0.156	0.173	11%	1.684	1.698	1%	1.822	NA	NA
Oilseeds & products	0.299	0.343	15%	6.480	5.920	-9%	6.777	6.1	-10%
Soybeans	0.132	0.181	37%	3.970	3.758	-5%	4.089	3.8	-7%
Soybean meal	0.039	0.061	56%	1.292	0.942	-27%	1.326	1.0	-25%
Soybean oil	0.042	0.022	-48%	0.346	0.301	-13%	0.404	0.4	-1%
Other vegetable oils	0.043	0.035	-19%	0.370	0.370	0%	0.416	NA	NA
Livestock products	0.420	0.450	7%	4.930	4.962	1%	5.383	5.5	2%
Red meats	0.179	0.197	10%	1.981	1.991	1%	2.136	NA	NA
Animal fats	0.034	0.034	0%	0.466	0.427	-8%	0.524	NA	NA
Poultry products	0.063	0.077	22%	0.669	0.787	18%	0.726	0.8	10%
Poultry meat	0.045	0.057	27%	0.472	0.576	22%	0.509	NA	NA
Dairy products	0.040	0.022	-45%	0.450	0.323	-28%	0.490	0.3	-39%
Horticultural products	0.322	0.421	31%	3.742	4.684	25%	4.086	5.0	22%
Unmanufactured tobacco	0.058	0.062	7%	1.203	1.300	8%	1.274	1.4	10%
Cotton & linters	0.166	0.194	17%	1.889	2.573	36%	2.059	2.9	41%
Planting seeds	0.042	0.044	5%	0.455	0.521	15%	0.498	0.6	20%
Sugar & tropical products	0.092	0.126	37%	1.056	1.293	22%	1.167	1.4	20%
Total ag. export value	2.761	2.942	7%	36.546	37.398	2%	39.553	40.0	1%

	--MMT--		Change	--MMT--		Change	--MMT--		Change
Grains & feeds 2/	8.404	8.761	4%	105.604	106.453	1%	115.092	NA	NA
Wheat	3.533	2.466	-30%	33.704	25.292	-25%	37.766	28.5	-25%
Wheat flour	0.114	0.055	-52%	0.998	0.824	-17%	1.175	1.0	-15%
Rice	0.178	0.141	-21%	2.770	2.295	-17%	3.043	2.4	-21%
Feed grains 3/	3.497	4.721	35%	56.410	65.826	17%	60.422	69.2	15%
Corn	2.706	3.898	44%	47.594	57.180	20%	50.481	60.0	19%
Feeds & fodders	0.931	1.173	26%	10.202	10.382	2%	11.011	11.0	0%
Oilseeds & products	0.895	1.208	35%	20.360	22.903	12%	21.277	NA	NA
Soybeans	0.498	0.761	53%	13.630	16.466	21%	14.116	16.9	20%
Soybean meal	0.161	0.287	78%	4.636	4.336	-6%	4.781	4.4	-8%
Soybean oil	0.082	0.038	-54%	0.633	0.554	-12%	0.754	0.7	-7%
Other vegetable oils	0.073	0.052	-29%	0.605	0.586	-3%	0.682	NA	NA
Livestock products 4/	0.191	0.202	6%	2.197	2.185	-1%	2.442	NA	NA
Red meats	0.065	0.060	-8%	0.658	0.621	-6%	0.715	0.7	-2%
Animal fats	0.094	0.098	4%	1.211	1.165	-4%	1.369	1.3	-5%
Poultry products 4/	0.038	0.051	34%	0.400	0.523	31%	0.433	NA	NA
Poultry meat	0.038	0.051	34%	0.395	0.519	31%	0.427	0.6	41%
Dairy products 4/	0.034	0.013	-62%	0.337	0.201	-40%	0.364	NA	NA
Horticultural products 4/	0.265	0.341	29%	3.537	4.170	18%	3.796	4.5	19%
Unmanufactured tobacco	0.011	0.010	-9%	0.198	0.208	5%	0.212	0.2	-6%
Cotton & linters	0.113	0.121	7%	1.380	1.611	17%	1.491	1.8	21%
Planting seeds	0.076	0.080	5%	0.442	0.473	7%	0.494	NA	NA
Sugar & tropical products 4/	0.072	0.075	4%	0.667	0.843	26%	0.744	NA	NA
Total ag. export volume 4/	10.098	10.861	8%	135.103	139.573	3%	146.347	148.5	1%

NA = Not available.

1/ Export forecasts are from August 28, 1990, "Outlook for U.S. Agricultural Exports."
2/ Includes pulses and corn gluten feed and meal.
3/ Includes corn, oats, barley, rye, and sorghum.
4/ Includes only those items measured in metric tons.

Source: U.S. Bureau of the Census and August 28, 1990, "Outlook for U.S. Agricultural Exports."

Weekly Quotations for Selected International Prices 1/

Dollars per metric ton	Week of 10/22/90	Month ago	Year ago
Wheat (c.i.f. Rotterdam) 2/			
Canadian No. 1 CWRS 13.5%	136	146	199
U.S. No. 2 DNS 14 %	136	134	183
U.S. No. 2 SRW	127	126	187
U.S. No. 3 HAD	152	143	177
Canadian No. 1 durum	156	153	191
Feed Grains (c.i.f. Rotterdam) 2/			
U.S. No. 3 yellow corn	118	113	128
Soybeans and Meal (c.i.f. Rotterdam) 2/			
U.S. No. 2 yellow soybeans	248	252	233
U.S. 44 % soybean meal	NQ	NQ	NQ
Brazil 48 % soy pellets	212	212	236
U.S. Farm Prices 3/ 4/			
Wheat	87	90	142
Barley	79	73	86
Corn	51	86	90
Sorghum	80	82	80
Broiler 5/	1,082	1,310	1,144
Soybeans 6/	223	225	207
EC Import Levies			
Common wheat	122	123	124
Durum wheat	141	144	183
Barley	110	108	129
Corn	104	114	134
Sorghum	105	117	144
Broilers	250	194	365
EC Export Restitution (subsidies)8/			
Common wheat	106	105	41
Barley	157	100	12
Broilers	249	256	400

NQ = No quote. NA = Not available. Note: Changes in dollar value of EC import levies, intervention prices, and export restitutions may be the result of changes in $/ECU exchange rates.

*1/ Mid-week quote. 2/ Asking price in dollars for imported grain and soybeans and soybean products, c.i.f. Rotterdam for nearby delivery. 3/ Five-day moving average. 4/ Target price for current marketing year in $/metric ton: wheat, $151; barley, $112; corn, $112; sorghum, $106; soybean loan rate, $166. 5/ Composite 12-city weighted average price for trucklot sales to be delivered to first receiver. 6/ Central Illinois processors bid to arrive. 7/ Buy-in equals 94% of intervention price plus full value of monthly increments. 8/ Figures represent restitutions awarded nearest to the listed dates, * denotes no award given since the previous month.*

Note: The EC intervention prices, which are usually included in this table, will resume in November when the EC begins buying-in.

Agricultural Trade Assistance

Exporters interested in programs and services provided by the Foreign Agricultural Service (FAS) may contact the Trade Assistance and Planning Office (TAPO). The TAPO serves as a single point of contact for persons who need foreign market information, export counseling, or guidance on what remedies are available under current law to assist those hurt by unfair foreign competition.

TRADE ASSISTANCE AND PLANNING OFFICE

Telephone (703) 756-6001
Facsimile (703) 756-6124

Additional information on particulars of FAS programs and services is available from operational offices within three administrative areas: Commodity and Marketing Programs, Export Credits, and International Trade Policy.

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